

Assessing payment adequacy and updating payments for outpatient dialysis services

ISSUE: Do we judge that Medicare's payments for all services provided by outpatient dialysis facilities are adequate? Should payments be changed in 2006?

KEY POINTS: At this meeting, we will first discuss changes to the outpatient dialysis payment system mandated by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

We will then examine information about the adequacy of current aggregate outpatient dialysis payments. We will assess payment adequacy by considering dialysis services and separately billable medications because both are important sources of payments and costs for dialysis providers. Information about market factors show that:

- Providers' capacity to furnish dialysis services has steadily increased between 1993-2003.
- The use of separately billable drugs administered during dialysis has increased throughout the 1990s and payments for these services represented about 40 percent of Medicare's total payments to dialysis facilities in 2002.
- Beneficiaries appear to be obtaining access to needed dialysis services. Quality of dialysis care, as measured by dialysis adequacy and patients' anemia status, continues to improve.

ACTION: Commissioners should discuss the findings presented in the attached briefing materials. Specifically, Commissioners should discuss whether: 1) current aggregate payment are adequate, and 2) whether the composite rate should be updated for 2006. The Commission's recommendation about updating payments for dialysis services will be included in the March 2005 report.

STAFF CONTACT: Nancy Ray (202-220-3723).